

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7060**

**BILL NUMBER:** HB 1392

**NOTE PREPARED:** Jan 18, 2015

**BILL AMENDED:**

**SUBJECT:** Tax credit for literacy programs.

**FIRST AUTHOR:** Rep. Clere

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill provides an income tax credit for charitable contributions to certain literacy programs. It provides that the credit is equal to 50% of the charitable contribution, but may not exceed: (1) \$100 for a single individual return; (2) \$200 for a joint return; or (3) the lesser of 10% of a corporation's adjusted gross income (AGI) tax liability or \$1,000 for a corporate return.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR would incur additional administrative costs in implementing the tax credit established by the bill. The additional costs would be within the DOR's existing resources.

*Indiana State Library (ISL):* The bill requires the ISL to annually approve literacy programs that are eligible to receive charitable contributions from a taxpayer who is eligible for a tax credit. The additional costs would be within the ISL's existing resources.

**Explanation of State Revenues:** *Summary-* This bill establishes a maximum \$100 tax credit (for single returns) or \$200 tax credit (for joint returns) against an individual's AGI tax liability and a maximum \$1,000 tax credit against a corporation's AGI tax liability for charitable contributions to approved literacy programs. The tax credit is effective beginning in tax year 2016, and the revenue impact will likely begin in FY 2017. If individuals and corporations claim tax credits on 50% of the entire amount of charitable contributions, the provision may decrease revenue into the General Fund by approximately \$1 M to \$3 M per year. The actual revenue loss may be less than estimated to the extent that some volunteer literacy programs may not collect any donations.

The tax credit is not refundable and may not be carried forward or carried back.

*Additional Information-* There are fewer than 60 literacy programs in the state. Indy Reads, the largest literacy program in the state, receives about \$110,000 to \$130,000 in individual contributions and about \$300,000 to \$600,000 in corporate contributions (in the form of grants or sponsorships) annually. While Indy Reads serves about 500 to 1,200 students annually, a few literacy programs serve about 300 students, and many literacy programs serve about 50 or fewer students. We provide an estimate based on the approximate number of students served by literacy programs and the assumption that a majority of literacy programs receive about \$5,000 to \$20,000 in individual contributions annually. Information is unavailable on the number of individual and corporate contributions to literacy programs.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Indiana State Library.

**Local Agencies Affected:**

**Information Sources:** Tom Miller, Indy Reads, 317-275-4038; Travis DiNicola, Indy Reads, 317-275-4035.

**Fiscal Analyst:** Anita Yadavalli, 317-234-9438.